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C O N F I D E N T I A L SECTION 01 OF 02 ALGIERS 000837

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TAGS: PREL EPET ETRD MARR GM AG

SUBJECT: MERKEL EXPLORES DEEPER ALGERIAN TIES - AND GAS SUPPLY

REF: A. ALGIERS 724
1B. 2007 ALGIERS 1004

Classified By: CDA, a.i. Thomas F. Daughton; reasons 1.4 (b, d).

11. (C) SUMMARY: German Chancellor Angela Merkel made her first visit to Algiers July 16-17 in an effort to boost natural gas supplies and promote stronger commercial ties between Germany and Algeria. Following on the heels of the Mediterranean Union Summit in Paris, Merkel's trip was also seen here as a signal that Germany is just as interested in Algerian natural resources and markets as France has been, and is willing to nurture a bilateral relationship rather than one based solely within the European (or Mediterranean) Union. Merkel was treated to head-of-state honors by the Algerians, and while her visit was short on both time and deliverables, one journalist surmised that it served its purpose of showing Merkel and President Bouteflika symbolically linking the countries, thus paving a smoother way for future commercial deals, particularly as Germany looks for alternatives to Russian gas supply. END SUMMARY.

SHORT VISIT, EQUIVALLY SHORT LIST OF DELIVERABLES

12. (U) Leading a delegation of 50 German business leaders, including Deputy Minister of Economy and Technology Bernd Pfaffenbauch and representatives from Germany's two largest utilities, Merkel stated publicly that her July 16-17 visit to Algeria was a step toward "lending dynamism" to German-Algerian relations. Although long on rhetoric about multilateral and bilateral cooperation -- Pfaffenbauch called on Algeria to increase natural gas exports to Europe as part of a long-term "strategic partnership" -- Merkel's visit yielded modest results and no new agreements on energy cooperation. Merkel and President Abdelaziz Bouteflika attended the signing ceremony for a German architectural firm that received a USD 1.6 billion contract to design and build the world's third-largest mosque in Algiers by 2014. Other agreements included the formation of a German-Algerian joint venture and a framework agreement between the German firm Knauf International and the Algerian Ministry of Training and Professional Development to design a job-creation program for youth.

13. (C) Merkel told the press that her discussions with President Bouteflika concentrated mainly on economic issues, including the sale of four German frigates valued at USD 8

billion to the Algerian navy. Merkel also claimed publicly that she pushed Algeria to help promote democratic and social reform in Africa and raised the crises in Zimbabwe and Darfur. German diplomats told us that they had prepared numerous briefs on issues for Merkel to raise with Bouteflika, including talking points on human rights and religious freedom. They noted with a hint of disappointment, however, that Merkel did not appear to have read the briefs and seemed generally disinterested in discussing political or social issues here. German diplomats would not confirm whether Merkel raised religious freedom issues with the Algerian government, but they described a small meeting Merkel had with civil society representatives that may have touched on the topic.

RED CARPET TREATMENT

¶4. (C) Chancellor Merkel was given full head-of-state treatment by the Algerians, including the assembly of the diplomatic corps at the airport as President Bouteflika greeted her amidst a cannon salute. Bouteflika received Merkel the next morning in a meeting with Energy Minister (and OPEC President) Chakib Khelil, Defense Minister-delegate Abdelmalek Guenaizia, Foreign Minister Mourad Medelci and Post and Telecommunications Minister Hamid Bessallah. Later in the day, Pfaffenbauch met separately with Khelil and Guenaizia to discuss renewable energy and military cooperation projects, including the possible delivery of border surveillance equipment to the Algerian army.

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HEADING OFF RUSSIA

¶5. (C) While press coverage and our German counterparts suggested that little specific progress was made during the Chancellor's visit, an Algerian television journalist who covered Merkel's meetings for a German news service told us that the purpose of the visit was simply to have Merkel and Bouteflika meet formally to establish new, seemingly deeper ties between Algeria and Germany, thus paving the way for specific commercial deals later. The journalist likened the visit to a first meeting of the parents of a bride and groom, after which a formal courtship may begin. He said that a German firm has finished a feasibility study of piping natural gas originating in Algeria across the Alps to Germany. Two undersea pipelines already transport some three billion cubic feet of gas per day to Europe (through Spain and Italy), and future pipelines and LNG terminals are in the works. While Germany currently imports roughly USD 2 billion worth of petroleum products yearly from Algeria, it is not a major buyer of Algerian natural gas.

¶6. (C) During an energy security roundtable in April hosted by the UK embassy here, British and German diplomats and visiting officials from London told us that both their countries considered future natural gas supply to be a national security issue. In particular, they said, their governments were concerned about the ability of Russia to corner and control gas supplies to their respective countries and all of Europe. Accordingly, they said, ensuring Algerian gas supply to Europe as an alternative to Russian supply was a key bilateral and multilateral issue for both missions (not surprisingly, a Spanish diplomat voiced less concern about Russian control of European gas supplies). When asked about the coincidental timing of Merkel's visit on the heels of Algerian press reports that Russia's Gazprom had offered to buy all of Libya's oil and gas exports, the German diplomat who was present at the April meeting told us that discussions of gas supply were obviously very high on the Chancellor's agenda here.

COMMENT: SHOWING UP SARKO

¶7. (C) Chancellor Merkel's visit to Algiers appears to have served three main purposes: to strengthen political and commercial ties generally; to open a possible avenue for increased Algerian gas sales to Germany; and to show the Algerians that French President Nicolas Sarkozy is not the only high-visibility European leader interested in Algeria. Merkel's visit came just days after Sarkozy's high-profile Mediterranean Union Summit in Paris -- timing that was not viewed as coincidental by observers here. And while her departure was less than stately (an airport employee dented the Chancellor's Luftwaffe plane while moving stairs alongside it, forcing Merkel to borrow Bouteflika's official jet for the trip home), her visit was well received by the Algerian media. It also gave President Bouteflika the opportunity to be seen as playing the Europeans off against each other -- always a popular game in Algeria when the "losing" player is France.

MINIMIZED CONSIDERED

DAUGHTON